

**REPORT OF THE AUDIT OF THE
HENRY COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2002**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HENRY COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2002**

The Auditor of Public Accounts has completed the Henry County Fiscal Court audit for the fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances decreased by \$241,927 from the beginning of the year, resulting in a cash surplus of \$3,039,191 as of June 30, 2002.

Debt Obligations:

Total Kentucky Infrastructure loan principal as of June 30, 2002, was \$114,756.

Capital lease principal totaled \$343,101 as of June 30, 2002. Future principal and interest payments of \$470,160 are needed to meet this obligation.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Tommy Bryant, Former Henry County Judge/Executive

Honorable John L. Brent, Henry County Judge/Executive

Members of the Henry County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Henry County, Kentucky, as of June 30, 2002, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Henry County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Henry County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2002 of Henry County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Tommy Bryant, Former Henry County Judge/Executive
Honorable John L. Brent, Henry County Judge/Executive
Members of the Henry County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated June 2, 2003 on our consideration of Henry County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Henry County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 2, 2003

HENRY COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

Fiscal Court Members:

Tommy Bryant	County Judge/Executive
John Allgeier	Magistrate
Jerry Beasley	Magistrate
David Brown	Magistrate
Mike Fisher	Magistrate
Wayne Gunnell	Magistrate
Cecil McCarty	Magistrate

Other Elected Officials:

Virginia Harrod	County Attorney
Neil Stivers	Jailer
Juanita Lashley	County Clerk
Leland Payton	Circuit Court Clerk
G. R. Downey	Sheriff
Jason Scriber	Property Valuation Administrator
Jimmy Pollard	Coroner

Appointed Personnel:

Mary A. Scriber	County Treasurer
Judith Roberts	Finance Officer

STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

HENRY COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only) Reporting Entity</u>
	<u>General</u>	<u>Debt Service</u>	
<u>Assets and Other Resources</u>			
<u>Assets</u>			
Cash and Cash Equivalents	\$ 2,770,153	\$ 326,490	\$ 3,096,643
Total Assets	\$ 2,770,153	\$ 326,490	\$ 3,096,643
<u>Other Resources</u>			
Amounts to Be Provided			
In Future Years for:			
Capital Lease (Note 5)	\$ 343,101	\$	\$ 343,101
Loan Payments (Note 4)		114,757	114,757
Total Other Resources	\$ 343,101	\$ 114,757	\$ 457,858
Total Assets and Other Resources	\$ 3,113,254	\$ 441,247	\$ 3,554,501

The accompanying notes are an integral part of the financial statements.

HENRY COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2002
(Continued)

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only) Reporting Entity</u>
	<u>General</u>	<u>Debt Service</u>	
<u>Liabilities and Equity</u>			
<u>Liabilities</u>			
Capital Lease (Note 5)	\$ 343,101	\$	\$ 343,101
Loan Payable (Note 4)		114,757	114,757
Payroll Revolving Account	<u>57,452</u>		<u>57,452</u>
Total Liabilities	<u>\$ 400,553</u>	<u>\$ 114,757</u>	<u>\$ 515,310</u>
<u>Equity</u>			
Fund Balances:			
Reserved	\$	\$ 326,490	\$ 326,490
Unreserved	<u>2,712,701</u>		<u>2,712,701</u>
Total Equity	<u>\$ 2,712,701</u>	<u>\$ 326,490</u>	<u>\$ 3,039,191</u>
Total Liabilities and Equity	<u><u>\$ 3,113,254</u></u>	<u><u>\$ 441,247</u></u>	<u><u>\$ 3,554,501</u></u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

HENRY COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 3,452,791	\$ 2,267,978	\$ 1,017,926	\$ 100,861
Other Financing Sources:				
Transfers In	350,000			350,000
Total Cash Receipts	<u>\$ 3,802,791</u>	<u>\$ 2,267,978</u>	<u>\$ 1,017,926</u>	<u>\$ 450,861</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,659,848	\$ 2,293,822	\$ 907,387	\$ 423,994
Other Financing Uses:				
Transfers Out	350,000	350,000		
Capital Lease Principal	13,899	13,899		
Loan Principal	20,971			
Total Cash Disbursements	<u>\$ 4,044,718</u>	<u>\$ 2,657,721</u>	<u>\$ 907,387</u>	<u>\$ 423,994</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (241,927)	\$ (389,743)	\$ 110,539	\$ 26,867
Cash Balance - July 1, 2001	<u>3,281,118</u>	<u>1,310,546</u>	<u>1,513,799</u>	<u>4,512</u>
Cash Balance - June 30, 2002	<u>\$ 3,039,191</u>	<u>\$ 920,803</u>	<u>\$ 1,624,338</u>	<u>\$ 31,379</u>

The accompanying notes are an integral part of the financial statements.

HENRY COUNTY
 STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2002
 (Continued)

General Fund Type		Debt Service Fund Type
Local Government Economic Assistance Fund	Fair Fund	Revolving Loan Fund
\$ 31,177	\$ 13,520	\$ 21,329
\$ 31,177	\$ 13,520	\$ 21,329
\$ 24,000	\$ 4,752	\$ 5,893
		20,971
\$ 24,000	\$ 4,752	\$ 26,864
\$ 7,177	\$ 8,768	\$ (5,535)
72,066	48,170	332,025
\$ 79,243	\$ 56,938	\$ 326,490

The accompanying notes are an integral part of the financial statements.

HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Henry County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Henry County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Henry County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Henry County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Henry County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), and the Fair Fund.

HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Revolving Loan Fund.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Henry County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Library is considered a related organization of Henry County Fiscal Court.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 4. Long-Term Debt

Henry County has entered into a loan agreement with the Kentucky Infrastructure Authority. The terms of the loan are 3.0 percent interest on the unpaid balance with semiannual payments due June 1 and December 1 of each year, beginning December 1, 1992. The loan is to be paid in full June 1, 2007. The principal balance of the loan was \$114,757 as of June 30, 2002. The following table shows scheduled interest and principal amounts due during the remaining life of the loan.

<u>Fiscal Year Ended</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2003	\$ 3,501	\$ 21,605
June 30, 2004	2,804	22,258
June 30, 2005	2,087	22,931
June 30, 2006	1,347	23,624
June 30, 2007	586	24,338
Totals	<u>\$ 10,325</u>	<u>\$ 114,756</u>

Note 5. Capital Lease

On October 29, 1999 Henry County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$375,000. The purpose of the lease was the purchase of the Courthouse Annex county office building and land. The lease was refinanced on May 7, 2001, with the terms of the lease being 4.0 percent interest on the unpaid principal with monthly payments due the 20th of each month. The lease is to be paid in full on May 20, 2020. The principal balance on the lease was \$343,101 as of June 30, 2002. The following table shows the scheduled interest and principal amounts due during the next five years and thereafter.

<u>Fiscal Year Ended</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2003	\$ 12,407	\$ 13,374
June 30, 2004	11,906	13,919
June 30, 2005	11,384	14,486
June 30, 2006	10,840	15,077
June 30, 2007	10,275	15,691
2008-2012	42,056	88,582
2013-2017	24,038	108,158
2018-2020	4,153	73,814
Totals	<u>\$ 127,059</u>	<u>\$ 343,101</u>

HENRY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 6. Insurance

For the fiscal year ended June 30, 2002, Henry County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

HENRY COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,782,593	\$ 2,267,978	\$ 485,385
Road and Bridge Fund	941,936	1,017,926	75,990
Jail Fund	456,816	100,861	(355,955)
Local Government Economic Assistance Fund	24,256	31,177	6,921
Fair Fund	1,000	13,520	12,520
<u>Debt Service Fund Type</u>			
Revolving Loan Fund	<u>20,000</u>	<u>21,329</u>	<u>1,329</u>
Totals	<u>\$ 3,226,601</u>	<u>\$ 3,452,791</u>	<u>\$ 226,190</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 3,226,601
Add: Budgeted Prior Year Surplus			1,001,258
Less: Other Financing Uses			<u>(34,870)</u>
Total Operating Budget Per Comparative Schedule of Final Budget and Budgeted Expenditures			<u>\$ 4,192,989</u>

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SCHEDULE OF OPERATING REVENUE

HENRY COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

Revenue Categories	Totals (Memorandum Only)	GOVERNMENTAL FUND TYPES	
		General Fund Type	Debt Service Fund Type
Taxes	\$ 957,940	\$ 957,940	\$
Excess Fees	77,202	77,202	
Licenses and Permits	108,789	108,789	
Intergovernmental Revenues	1,308,912	1,308,912	
Charges for Services	108,879	108,879	
Miscellaneous Revenues	799,743	799,743	
Interest Earned	91,326	69,997	21,329
Total Operating Revenue	<u>\$ 3,452,791</u>	<u>\$ 3,431,462</u>	<u>\$ 21,329</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

HENRY COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,201,266	\$ 1,104,187	\$ 97,079
Protection to Persons and Property	1,223,190	1,015,979	207,211
General Health and Sanitation	75,755	73,149	2,606
Social Services	32,000	24,000	8,000
Recreation and Culture	90,846	52,049	38,797
Roads	950,265	819,856	130,409
Debt Service	21,101	13,876	7,225
Capital Projects	68,888	68,888	
Administration	508,649	481,971	26,678
Total Operating Budget - General Fund Types	\$ 4,171,960	\$ 3,653,955	\$ 518,005
Other Financing Uses: Capital Lease Agreement- Principal on Lease	13,899	13,899	
TOTAL BUDGET - GENERAL FUND TYPES	<u>\$ 4,185,859</u>	<u>\$ 3,667,854</u>	<u>\$ 518,005</u>

HENRY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 For The Fiscal Year Ended June 30, 2002
 (Continued)

Expenditure Categories	DEBT SERVICE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Debt Service	\$ 21,029	\$ 5,893	\$ 15,136
Total Operating Budget - Debt Service Fund Type	\$ 21,029	\$ 5,893	\$ 15,136
Other Financing Uses: Kentucky Infrastructure Authority- Principal	20,971	20,971	
TOTAL BUDGET - DEBT SERVICE FUND TYPE	<u>\$ 42,000</u>	<u>\$ 26,864</u>	<u>\$ 15,136</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Tommy Bryant, Former Henry County Judge/Executive
Honorable John L. Brent, Henry County Judge/Executive
Members of the Henry County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Henry County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated June 2, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Henry County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Henry County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 2, 2003

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM


HENRY COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2002

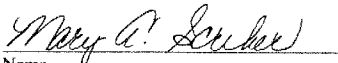
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
HENRY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2002

The Henry County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
Former County Judge/Executive



Name
County Treasurer

